HOUSING MARKET INSIGHT
Montréal CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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"This report provides an unprecedented assessment of the status of vacant residential land in Greater Montréal and the effect this land has on the area's housing market."

Francis Cortellino,
Principal, Market Analysis

How is the amount of vacant residential land in the various sectors of Greater Montréal shaping the housing market?

In 2014, about 65% of vacant land slated for residential development in the greater Montréal area was located on the North Shore and South Shore. The Island of Montréal, meanwhile, although it accounts for a third of the greater Montréal area, only had 7% of vacant residential land.

As expected, the abundance of land has had an impact on its value. In certain North Shore and South Shore municipalities, the price of land in 2015 for a single-family home varied from $10 to $20 per square foot. On the Island of Montréal, the price was $44, but easily surpassed $100 in some central sectors.

Land value, which varied greatly from one sector to another, was also reflected in house prices. On the North Shore and South Shore, for instance, the average price of a single-family home hovered between $280,000 and $295,000 in 2015, while, on the Island, the average price was over half a million dollars.

Because of the relative abundance of land on the North Shore and South Shore, as well as certain other factors, nearly all housing constructed in those sectors between 2014 and 2016 was of low density, contrary to the trend on the Island.

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According to property assessment data, the increase in land cost since 2010 (and not the increase in the cost of the buildings themselves) has been the main factor responsible for the rise in property values for single-family homes in a number of boroughs and municipalities on the Island of Montréal.

A recent CMHC study, *Examining Escalating House Prices in Large Canadian Metropolitan Centres*, showed that the per-square-foot price of land increased at a much higher pace in Toronto and Vancouver than in Montréal for the period 2006 to 2016. This proved to be one factor among many that explained why house prices increased more rapidly in Toronto and Vancouver.

The goal of this report, however, is not to once again compare Montréal with Toronto and Vancouver, but rather to examine how the amount of vacant land varies across the different sectors of the Montréal census metropolitan area (CMA) and the effect this variation could have on the Montréal housing market.

In order to fulfill this goal, the first part of this *Housing Market Insight* will look at the amount of vacant land available in several sectors of Greater Montréal. The following sections will then examine the impact the supply of this land could have on its value, on house prices and on the type of residential construction that is found in the sectors covered. Lastly, we will take a look at the value of vacant land from a historical perspective.[1]

Table 1

Greater Montréal Sectors	Vacant Residential Land (ha)	Vacant Residential Land (ha) as a Percentage (%) of Area Inside Metropolitan Boundary (ha)
Island of Montréal	619	1.3
Longueuil Agglomeration	1,248	6.5
Laval	1,522	8.7
North Shore	2,992	8.9
South Shore	2,788	8.4
Greater Montréal—Total	9,169	6.1

Sources: MMC, Metropolitan Land Use and Development Plan, 2012 metropolitan boundary; MMC, size of vacant spaces and size of spaces slated for redevelopment in 2014. Processing: MMC, 2014 and 2015. CMHC calculations.

Table 2

Greater Montréal Sectors	Percentage (%) of Greater Montréal's Vacant Residential Land Contained in the Sector	Percentage (%) of Area Inside Greater Montréal's Metropolitan Boundary Contained in the Sector
Island of Montréal	6.8	31.7
Longueuil Agglomeration	13.6	12.7
Laval	16.6	11.6
North Shore	32.6	22.1
South Shore	30.4	21.9
Greater Montréal—Total	100.0	100.0

Sources: MMC. Metropolitan Land Use and Development Plan. 2012 metropolitan boundary MMC. size of vacant spaces and size of spaces slated for redevelopment in 2014. Processing: MMC. 2014 and 2015. CMHC calculations.

1. Vacant residential land is scarce on the Island of Montréal

Table 1 shows the number of hectares (ha) of vacant residential land available in 2014 in the large sectors of the Montréal area according to data from the Montréal Metropolitan Community (MMC)[2]. Since the sectors differ in size, vacant residential land is also presented as a proportion of the area inside the sector's metropolitan boundary.[3]

Of all the sectors, the Island of Montréal stood out, with vacant residential land accounting for only 1% of the area inside its metropolitan boundary. In the other sectors, all of which are in the suburbs, this proportion was within a 6% to 9% range. The amount of vacant residential land, in hectares, was also much higher in the suburban sectors than on the Island of Montréal.

Considering that only 7% of all of Greater Montréal's vacant land was found on the Island of Montréal, but that the Island accounts for about a third of the area inside the metropolitan boundary (see table 2), it is clear that the Island is at a disadvantage compared to the other sectors when it comes to the amount of vacant land it has available.

It's the opposite for the North Shore and South Shore, which, together, account for only about 45% of the area inside Greater Montréal's metropolitan boundary, and yet have 65% of vacant residential space. Laval, though to a lesser degree, also has a higher proportion of vacant land than its size as a proportion of the area inside Greater Montréal's metropolitan boundary would suggest.

Significant disparities were also apparent within these large sectors. On the North Shore, for example, about three quarters of all vacant residential space was contained in only three municipalities: Mirabel, Terrebonne and Mascouche.

The case was similar on the South Shore, where a high amount of vacant land was concentrated in a few municipalities[4]. Finally, in the Longueuil Agglomeration, there was more vacant residential land located in the municipalities of Longueuil and Boucherville.

Despite the scarcity of vacant land in certain sectors, new homes can also be built on land slated for redevelopment[5]. A dilapidated factory, for example, located in a former industrial zone, could be demolished to make room for new buildings, including those of a residential nature. The use of land slated for redevelopment, however, does generally entail additional costs, such as those related to the decontamination of the soil and the demolition of existing buildings.

Still, when land slated for redevelopment is added to vacant residential land, the number of hectares that can be used for residential development on the Island of Montréal rises to 3,427 (see table 3), or about six times more than when only vacant land is considered.

Table 3

Greater Montréal Sectors	Vacant Residential Land and Land Slated for Redevelopment (ha)	Vacant Residential Land and Land Slated for Redevelopment (ha) as a Percentage (%) of Area Inside Metropolitan Boundary (ha)
Island of Montréal	3,427	7.2
Longueuil Agglomeration	1,911	9.9
Laval	2,433	13.9
North Shore	3,534	10.6
South Shore	3,668	11.1
Greater Montréal—Total	14,973	9.9

Sources: MMC. Metropolitan Land Use and ... pment Plan. 2012 metropolitan boundary; MMC. size of vacant spaces and size of spaces slated for redevelopment in 2014. Processing: MMC. 2014 and 2015. CMHC calculations.

In most of the other large sectors of Greater Montréal, considering land slated for redevelopment has a much smaller impact, since such land is much scarcer.

In this section, we have shown that the amount of vacant land varies greatly from one sector of the Montréal area to another. In the next section, we will examine how this situation could affect the value of this vacant land in the various sectors of Greater Montréal.

2. Land values are lower on the North Shore and South Shore than elsewhere in Greater Montréal

Low demand for land in a given geographic area can result in land values being lower. On the supply side, a greater amount of available vacant land in a given geographic area should, all other things being equal, also cause that land's value to be lower than it would be in a sector with less vacant land. To test this hypothesis, we used the land values established by the appraisal departments of various municipalities in Greater Montréal.[6] At this point, it is important to mention that the value of a home, according to the appraisal departments, can be broken down into two parts: the value of the building and the value of the land. As for the value of the land, according to current regulations in Quebec, this value reflects the most likely sale price of the land as if it were vacant, considering the highest and best use.[7,8]

In order to arrive at the most representative results possible, we used the single-family-home land values of different municipalities in the Montréal area when the number of observations was considered sufficient and the data on property values was relatively recent[9]. As a result, it is not possible to give land values for all of the geographic sectors presented in the tables in the previous section.

The per-square-foot value in july 2015 (2017-2019 property assessment roll)[10] of single-family-home land in the city of Montréal (and its boroughs) as well as in the other municipalities of Greater Montréal are given in table 4.

The proportion of the area inside the metropolitan boundary that is made up of vacant residential land is also given, where this data was available.

Table 4		
Greater Montréal Sectors	**Average Per-Square-Foot Value ($) of Single-Family-Home Land, July 2015**	**Vacant Residential Land (ha) as a Percentage (%) of Area Inside Metropolitan Boundary (ha)**
Island of Montreal	44	1.3
City of Montréal	44	1.4
Ahuntsic-Cartierville	55	
Anjou	41	
Côte-des-Neiges-Notre-Dame-de-Grâce	69	
Lachine	37	
Lasalle	48	
Le Plateau Mont-Royal	141	
Le Sud-Ouest	57	
Le Sud-Ouest (partie Griffintown)	68	
L'île-Bizard-Sainte-Geneviève	16	
Mercier-Hochelaga-Maisonneuve	43	
Montréal-Nord	37	n/a
Outremont	141	
Pierrefonds-Roxboro	26	
Rivière-des-Prairies-Pointe-aux-Trembles	27	
Rosemont-La-Petite-Patrie	68	
Saint-Laurent	50	
Saint-Léonard	45	
Verdun	72	
Verdun (partie île-des-Soeurs)	92	
Ville-Marie	116	
Villeray-Saint-Michel-Parc-Extension	60	
Baie d'Urfé	18	0.0
Beaconsfield	23	0.5
Côte-St-Luc	55	0.0
Dollard-des-Ormeaux	34	0.7
Dorval	28	0.2
Hampstead	83	0.0
Kirkland	29	0.0
Mont-Royal	90	0.0
Montréal-Est	17	0.0
Montréal-Ouest	60	0.0
Pointe-Claire	27	1.2
Senneville	11	16.0
Sainte-Anne-de-Bellevue	19	3.7
Westmount	143	0.0
Longueuil Agglomeration*	23	6.5
Boucherville	19	9.2
Brossard	23	3.2
Longueuil	22	7.2
Saint-Bruno-de-Montarville	19	6.1
Saint-Lambert	39	0.0
Laval*	31	8.7
North Shore**	n/a.	8.9
Boisbriand	16	1.8
Mirabel	13	18.1
Terrebonne	17	14.2
South Shore**	n/a	8.4
Beauharnois	9	2.7
Beloeil	13	4.6
Mont-St-Hilaire	16	6.8
Saint-Constant	18	7.7

n/a: Data not available. *Assessment of July 2014. **Municipalities selected because of data availability or reliability..
The average per-square-foot value of land in the city of Montréal is the result of a weighting based on the size of single-family home stock in each of the boroughs as presented in Census 2016. In the Griffintown sector, the single-family homes were located in the H3C and H3J forward sortation areas (FSAs). On Île-des-Sœurs, the single-family homes were located in the H3E FSA. The average per-square-foot value of land on the Island of Montréal and in the Longueuil Agglomeration is the result of a weighting based on the size of single-family home stock in each of the municipalities they contain as presented in Census 2016. Sources: Statistics Canada, Census 2016; MMC, Metropolitan Land Use and Development Plan, 2012 metropolitan boundary; MMC, size of vacant spaces and size of spaces slated for redevelopment in 2014 (processing: MMC, 2014 and 2015); JLR, based on municipalities' property assessment rolls. CMHC calculations.

A close look at the data reveals that, overall, the sectors where land was scarcest are also the ones where land values were highest.

In the city of Montréal, the average price of a piece of land in 2015 was $44 per square foot. Still, within the city of Montréal, land values varied greatly from one borough to another.[11] In well-established central sectors, such as Le-Plateau-Mont-Royal, Outremont and Ville-Marie, which were probably the sectors with the least vacant residential land[12], average land values were over $100 per square foot. It is important to mention, though, that these figures are average values and that, in certain parts of these central sectors, like Ville-Marie, some per-square-foot values were much higher than the $100 just mentioned.

In boroughs far from the centre, such as Pierrefonds-Roxboro and Rivières-des-Prairies–Pointe-aux-Trembles, where land, though scarce, was somewhat more abundant, land value was $25 per square foot.

In the other municipalities of the Island of Montréal, land values also showed a lot of variation from one sector to another: from $140 per square foot in Westmount, to just $17 per square foot in Montréal-Est. Now, neither of those two sectors had any vacant residential land left. This suggests that supply was not the only factor governing land values, and that other factors were also at play.

For example, it is possible that Montréal-Est had more land slated for redevelopment than did Westmount. This would have reduced pressure on the value of existing land in Montréal-Est. Additionally, Westmount has a much more central location than does Montréal-Est, which could mean that demand to live there was greater.

It is also important to mention that, for certain sectors on the Island (Baie-d'Urfé, Beaconsfield and Senneville, for example), relatively low land values could largely be explained by the fact that lot sizes were generally much larger than they were elsewhere.[13]

As a result, even though the per-square-foot price of a lot appeared to be low, it is likely that this price would be much higher if we considered only the portion of the lot on which a house could actually legally be built.

In Laval and the Longueuil Agglomeration, vacant land was less scarce, and land values were about $25 to $30 per square foot. The municipality of Saint-Lambert stood out, however, as land values there reached $40 per square foot. Saint-Lambert was also the only municipality in the Agglomeration where there was no longer any vacant land at all for residential development.

On the North Shore and South Shore, where vacant land was more abundant, land values in the municipalities studied fell within a $10- to $20-per-square-foot range. The greater number of available vacant lots seemed, therefore, all other things being equal, to diminish their value.

It is certain that the market value of land is determined by a number of factors, yet the analysis of the data presented in this section seems to indicate clearly that, in general, land is less costly in the sectors of Greater Montréal that have more available vacant land.

In the next two sections, we will look at the impact that land values can have on house prices and also on the type of construction in the various large sectors of the Montréal area.

Table 5

Greater Montréal Sectors	Average Price ($) of a Single-Family Home in 2015	Vacant Residential Land (ha) as a Percentage (%) of Area Inside Metropolitan Boundary (ha)
Island of Montréal	503,000	1.3
Longueuil Agglomeration	348,000	6.5
Laval	325,000	8.7
North Shore	279,000	8.9
South Shore	295,000	8.4
Greater Montréal—Total	349,000	6.1

Sources: JLR; MMC, Metropolitan Land Use and Development Plan, 2012 metropolitan boundary; MMC, size of vacant spaces and size of spaces slated for redevelopment in 2014 (processing: MMC, 2014 and 2015). CMHC calculations.

3. Single-family home prices were lower in sectors with more vacant land

Because the value of the land on which a property is located is one of the factors that determines the price of the property, it seems appropriate to now look at whether the price of a house should, all other things being equal, be lower in sectors where land is less costly.

As shown in table 5, single-family homes were generally less expensive in sectors where the supply of land was greater (sectors such as the North Shore and South Shore, for example). While the average price of a single-family home in these sectors was around $280,000 to $295,000, it was over $500,000 on the Island of Montréal, the sector where vacant land was most scarce.

In terms of the amount of vacant residential land, the Longueuil Agglomeration and the municipality of Laval ranked lower than the North and South shores, but higher than the Island of Montréal. Single-family home prices in these two sectors followed the trend presented above, and were higher than those on the North and South shores, but lower than those on the Island of Montréal, at around $325,000 to $350,000.

This last set of data confirms that, all other things being equal, the sectors with the greatest amount of vacant land are also those in which single-family house prices are the lowest. While a number of other factors influence house prices, the supply of land seems to play a major role.

In a textbox at the end of this report, we analyze the real estate environment in Granby and Drummondville, two municipalities that are relatively similar in many respects. Our analysis demonstrates the influence that the amount of available land can have on residential development and house prices in a given area.

4. Construction on the North Shore and South Shore was dominated by lower-density buildings

All other things being equal, residential construction should, generally, favour lower-density buildings in sectors where vacant land is less costly. Indeed, lower land values mean that fewer units are needed in a given space in order to turn a profit.

Conversely, all other things being equal, in sectors with the same amount of vacant land, but where land values are much higher, more units are needed in order to make a project profitable. Of course, regulations (zoning, etc.) also have an impact on the density of properties built in Greater Montréal but, here, we are only looking at the link between vacant residential land and the type of buildings constructed.

As shown in table 6, the Island of Montréal stood out from other large sectors in the area for its relatively small proportion of starts of properties with five or fewer units. On the North Shore and South Shore, and in the Longueuil Agglomeration, meanwhile, nine out of 10 starts were properties with five or fewer units.

For higher-density structures (those with 50 or more units), it was the exact opposite: such buildings accounted for roughly 10% of starts on the Island, but only about 0.5% each on the North Shore and South Shore.

The proportions recorded for Laval and the Longueuil Agglomeration for the same building type, fell in between those of the Island and those of the North and South shores.

It seems, then, that greater scarcity of land, which results in higher land values, is one of the factors that encourages the construction of high-rise apartment buildings, while greater abundance of vacant residential land is one of the factors that encourages the construction of smaller buildings.

5. Summary and next steps

This *Housing Market Insight* provided a new look at vacant residential land in Greater Montréal's larger sectors. Because the amount of available land was very different from one sector to another, the value of such land also varied greatly across Greater Montréal.

Moreover, land values had a strong influence on the housing market. In sectors where vacant residential land was abundant, and therefore generallyless costly (on the North Shore and South Shore, for example), house prices were generally lower. In these sectors, the buildings constructed were almost exclusively lower-density structures.

On the other hand, in sectors where vacant land was scarce (the Island of Montréal, for example), the price of residential units was higher. In these sectors, higher-density structures accounted for a much larger share of starts.

Table 6 : Starts of Buildings from 2014 to 2016 (annual average), by Number of Units, as a Percentage of (%) All Starts

Greater Montréal Sectors	5 or Fewer Units	6 to 19 Units	20 to 49 Units	50 to 99 Units	100 or More Units	Total
Island of Montréal	66.3	20.2	5.6	3.5	4.4	100.0
Longueuil Agglomeration	91 3	6.6	1.1	0.6	0.4	100.0
Laval	86.5	9.8	1.4	1.2	1.2	100.0
North Shore	91.8	6.7	1.0	0.2	0.3	100.0
South Shore	90.0	8.4	1.0	0.3	0.3	100.0
Greater Montréal—Total	87.5	9.2	1.6	0.8	0.9	100.0

Source: CMHC

In this report, we looked at the status of vacant land and its effect on the housing market at a particular point in time. It would be interesting to study whether the evolution of the amount of vacant land in Greater Montréal's larger sectors over the last 10 or 20 years has had an impact on the area's housing market.

While we currently lack the data necessary to conduct such a study thoroughly, the section in the textbox below does provide some insights by examining the evolution of land values on the Island of Montréal since the mid-1990s.

Land values on the Island of Montréal increased considerably over the last 20 years

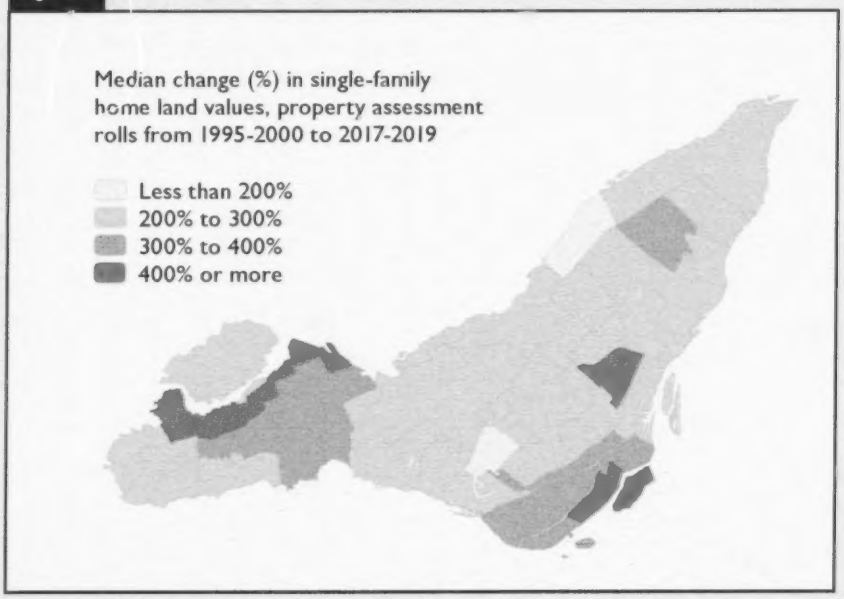
Data indicates that Montréal-area house prices have followed an upward trend over the last decades[14]. It would be interesting to know, however, what role changes in the supply of vacant land played on this price increase.

Unfortunately, there is no historical data available on the amount of vacant residential land that has existed in Greater Montréal. It is, however, possible to find data from a number of municipalities and boroughs on the Island of Montréal showing increases in single-family-home land values from July 1993 to July 2015 (a period of over 20 years). These land values, which represent the crossroads where supply and demand meet, allow us to learn, at the very least, a little more about changes in the status of land in Montréal since the middle of the 1990s.

Figure 1 shows that, in all sectors on the Island, except for Montréal-Nord and Côte-Saint-Luc, land values increased by over 200% from July 1993 to July 2015. In the boroughs of Verdun (which includes Île-des-Sœurs), Le Plateau-Mont-Royal and Pierrefonds-Roxboro, the median increase was over 400%.

This steady increase in land values has likely had an impact on house prices in Greater Montréal over the last 20 years. To be sure, it is also possible to break down the increase in the total value of a single-family home (according to the property assessment) into the two components of the home's value: the land and the building.[15]

Figure 1


Median change (%) in single-family home land values, property assessment rolls from 1995-2000 to 2017-2019
Less than 200%
200% to 300%
300% to 400%
400% or more

Sources: Montréal Metropolitan Community (MMC), Metropolitan Land Use and Development Plan, 2012 metropolitan boundary; MMC, area of vacant spaces in 2014; MMC, processing, 2014 and 2015; JLR, based on property assessment rolls of Island of Montréal municipalities; CMHC calculations

In the city of Montréal, increases in land values were responsible for about 47% of the growth in single-family home values between 1993 and 2015 (see table 7). While the data varies somewhat from one borough to another, the increase in land values was almost never the main reason for the growth in single-family home prices.

The situation was somewhat more nuanced in the other municipalities on the Island of Montréal. In most of them, the increase in land values was responsible for at least 50% of the growth in single-family home prices. While demand probably also played a role, the data presented earlier in this report shows that the amount of vacant space was generally lower in the municipalities of the Island located outside of

Land values on the Island of Montréal increased considerably over the last 20 years

the city of Montréal. As such, the scarcity of land likely contributed to increases in the total price of single-family homes in those sectors.

The majority of boroughs and municipalities on the Island did have one thing in common, though: growth in the value of single-family homes since 2010 was mainly due to the rapid increase in land values during this period.

Greater demand has probably been the reason for the increase in land values since 2010, but it is also plausible that dwindling supply of vacant residential space has played a role.

Table 7			
Greater Montréal Sectors	**Proportion (%) of Growth in Price of Single-Family Homes from 1993-2015 Accounted for by Land Values**	**Proportion (%) of Growth in Price of Single-Family Homes from 1993-2015 Accounted for by the Buildings**	**Total**
Island of Montréal	49	51	100
City of Montréal	47	53	100
Ahuntsic-Cartierville	56	44	100
Anjou	49	51	100
Côte-des-Neiges-Notre-Dame-de-Grâce	37	63	100
Lachine	46	54	100
Lasalle	49	51	100
Le Plateau Mont-Royal	35	65	100
Le Sud-Ouest	34	66	100
L'île-Bizard-Sainte-Geneviève	37	63	100
Mercier-Hochelaga-Maisonneuve	44	56	100
Montréal-Nord	54	46	100
Outremont	44	56	100
Pierrefonds-Roxboro	57	43	100
Rivière-des-Prairies-Pointe-aux-Trembles	41	59	100
Rosemont-La-Petite-Patrie	44	56	100
Saint-Laurent	49	51	100
Saint-Léonard	53	47	100
Verdun	49	51	100
Ville-Marie	36	64	100
Villeray-Saint-Michel-Parc-Extension	52	48	100
Baie d'Urfé	52	48	100
Beaconsfield	45	55	100
Côte-St-Luc	51	49	100
Dollard-des-Ormeaux	63	37	100
Dorval	51	49	100
Hampstead	56	44	100
Kirkland	52	48	100
Mont-Royal	60	40	100
Montréal-Est	37	63	100
Montréal-Ouest	49	51	100
Pointe-Claire	53	47	100
Senneville	48	52	100
Ste-Anne-de-Bellevue	36	64	100
Westmount	40	60	100

Data for the city of Montréal is weighted according to the size of single-family home stock in each of the boroughs as presented in Census 2016.
Data for the Island of Montréal is weighted according to the size of single-family home stock in each of the municipalities as presented in Census 2016.
Sources: Statistics Canada, Census 2016; JLR, based on municipalities' property assessment rolls (processing: JLR; CMHC calculations).

Location, location, location: the supply of vacant land and its impact on the housing markets of two relatively similar municipalities

Granby and Drummondville are two municipalities located 75 km from each other. The population of Drummondville in 2017 (77,000) was slightly higher than Granby's (68,250), but the proportion of people in each age group was similar in both municipalities.[16] In other words, their proportions of young people, adults and seniors were practically identical.

Incomes in the two municipalities were also very similar. Indeed, in 2016, personal disposable income per capita was $26,500 in Granby and $25,200 in Drummondville.[17] The same can be said about median after-tax household income in 2015: $46,400 in Granby; $44,960 in Drummondville.[18] Employment indicators for 2016[19] were also highly comparable.

The two municipalities are not, however, similar in all respects. Take the median price of single-family homes, for example. In 2017, Granby's was $214,450, or 20% more than Drummondville's ($178,000).[20] In fact, the median price of a single-family home in Drummondville was nearly the same (a difference of 8%) as that of a condominium in Granby.

Additionally, condominium construction is relatively well established in Granby, but is marginal in Drummondville.[21]

At first glance, it may seem surprising that two municipalities with so much in common economically and demographically could have these subtle differences between their housing markets. The disparity could largely be explained by the differences in the supply of land available for residential development in the two municipalities.

In 2016, Granby had an urban perimeter[22] of 5,891 hectares (ha).[23] Drummondville's was nearly the same, at 6,056 ha.[24] The big difference, though, was in the amount of vacant residential land in each municipality: 1,000 ha[25] in Drummondville, and only a little more than half that amount in Granby (585 ha[26]). According to Granby's city plan[27] the number of vacant lots available for residential development in 2016 should allow the municipality to meet demand for the next 12 to 13 years. Drummondville's city plan, meanwhile, suggests that it will be able to meet demand for the next 25 years!

The greater abundance of vacant land in Drummondville clearly had an impact on its cost: in 2014, the median per-square-foot value of single-family-home land in Granby was about $9.30.[28] In Drummondville, in 2016, it was $6.80. That's a difference of about 35%.

Supposing that land values in Granby continued to rise from 2014 to 2016, we can presume that the gap between the two municipalities has only widened.

This significant difference in land values seems therefore to be a major factor in explaining why house prices are higher in Granby than in Drummondville. Higher prices in Granby probably also encouraged developers to build condominiums in that municipality in order to meet demand from households that don't have the means to purchase a single-family home.

Given that the two municipalities have close to the same number of first-time buyers, baby boomers and seniors, condominium construction in Granby (but not in Drummondville) seems to meet a need for affordability, rather than fulfill a personal preference, for certain groups of households (young people, seniors, etc.). In Drummondville, meanwhile, it is possible that demand for condominiums is latent (in other words, present, but not yet noticeable), and that real estate developers have simply not yet started to build this housing type.

Finally, as shown in the CMHC study entitled *Examining Escalating House Prices in Large Canadian Metropolitan Centres*, various other factors (income inequality, regulations, etc.) can influence house prices. As such, the reasons for the differences between the Granby and Drummondville housing markets are probably not limited to the supply of available land alone.

ENDNOTES

[1] Data is only for the Island of Montréal and not for Greater Montréal.

[2] The territory covered by the MMC is not exactly identical to that covered by the Montréal CMA. Indeed, the municipalities of Calixa-Lavallée, Contrecœur and Saint-Jean-Baptiste are included in the MMC, but not in the Montréal CMA. On the other hand, the municipalities of Saint-Jérôme, Saint-Colomban, Gore, Saint-Placide, Lavaltrie and L'Épiphanie are included in the CMA, but not in the territory covered by the MMC. See the "Definitions" section for the list of municipalities that make up the different sectors of Greater Montréal in the MMC.

[3] See the "Definitions" section.

[4] These municipalities were Saint-Lazare, Châteauguay, Carignan, Notre-Dame-de-l'île-Perrot, Vaudreuil-Dorion and Hudson.

[5] See the "Definitions" section.

[6] The data used was provided by the firm JLR. This data was taken from the property assessment rolls of various Montréal-area municipalities. However, data was not available for all residential properties in each municipality, or for all the municipalities that make up Greater Montréal. The period (year) in which the property assessment was conducted could also vary from one municipality to another. As a result, the data was used only when the number of observations was sufficient and when the data was relatively recent.

[7] "This is the use that is likely to provide the highest value for a building, based on what is reasonably predictable, and also considering the nature of the building and the applicable market conditions. Additionally, this use must be physically and financially possible, be allowed by law and by regulations, and be achievable in the short term." Source: Le rôle d'évaluation foncière et son contenu (in French only), October 2014, MAMOT, page 8.

[8] Source: Le rôle d'évaluation foncière et son contenu (in French only), October 2014, MAMOT, page 8.

[9] We used data for single-family homes not only because the number of observations for this housing type was greater than that for condominiums or plexes, but also because the data was available for a greater number of geographic sectors.

[10] "In order to establish the real value that acts as a base for the value entered on the roll, the following elements must be considered: the condition of the unit being assessed, the housing market conditions as at July 1 of the second fiscal year preceding the first for which the roll is made, and the most probable use of the unit on that date." (Free translation of article 46 of Quebec's piece of legislation entitled Loi sur la fiscalité municipale. Original French text taken from the Ville de Montréal's property assessment roll publication Rôles d'évaluation 2017-2018-2019 : agglomération de Montréal (in French only).)

[11] The amount of vacant residential land must also vary greatly from one borough to another. Unfortunately, there was no public data available on this subject.

[12] Not including land slated for redevelopment.

[13] The median areas of lots for single-family homes in Baie-d'Urfé, Beaconsfield and Senneville were 135, 78 and 148 square feet, respectively. In the other municipalities on the Island of Montréal, this area generally ranged between 35 and 55 square feet.

[14] According to the Quebec Federation of Real Estate Boards, the average price of a single-family home in the province of Quebec increased by 107% from 1980 to 1990, by 10% from 1990 and 2000, and by 123% from 2000 to 2010. For this last period, the increase in the Montréal area was slightly higher, at 133%. Source: Residential Real Estate Prices More Than Doubled in Québec [sic] Between 2000 and 2010, Paul Cardinal, May 2011).

[15] "Generally, in order to establish the value of a residential building, the municipal appraiser first determines the value of the land and then the value of the property as a whole. The value of the building is therefore the difference between the two. There are very few, if any, sales of buildings alone. Analysis of the market for buildings alone is thus impossible in most cases. As a result, the value of the building is an indirect value (does not come directly from the market)." (Free translation of text from a web page of the Ville de Québec's appraisal department: https://www.ville.quebec.qc.ca/citoyens/taxes_evaluation/evaluation_fonciere/valeur_batiment.aspx, February 2018.)

[16] Source: Institut de la Statistique du Québec.

[17] Source: Institut de la Statistique du Québec. Regional County Municipality (RCM) La Haute-Yamaska for Granby and RCM of Drummond for Drummondville.

[18] Source: Statistics Canada, Census 2016.

[19] In Granby, in 2016, the employment rate and participation rate were 57.3% and 61.2%, respectively. In Drummondville, these rates were 58.3% and 62.8%. Source: Statistics Canada, Census 2016.

[20] Source: JLR. CMHC calculations.

[21] From 2008 to 2017, there were, on average, 334 freehold housing starts and 106 condominium starts per year in Granby. In Drummondville, these figures were, respectively, 378 and 11. Source: CMHC.

[22] See the "Definitions" section.

[23] Source: City of Granby, bylaw 0662-2016 (règlement 0662-2016) of the city plan (plan d'urbanisme).

[24] Data obtained from the urban planning department of the City of Drummondville.

[25] Source: city plan of the City of Drummondville.

[26] Data obtained from the urban planning department of the City of Granby.

[27] Bylaw (règlement) 0662-2016.

[28] Values based on some one-hundred single-family home transactions completed in 2017 in Granby and Drummondville. Source: JLR, from the property assessment rolls of the municipalities. CMHC calculations.

[29] According to oxforddictionaries.com, an orthophotograph is an "image produced optically or electronically from aerial photographs by eliminating distortions of angles and scales so as to give a result corresponding to a planimetric map." (https://en.oxforddictionaries.com/definition/orthophotograph, 2018, May 3).

DEFINITIONS

Metropolitan boundary:
The metropolitan boundary, as defined in the Metropolitan Land Use and Development Plan, which was adopted by the Montréal Metropolitan Community (MMC) in 2012, sets the boundary for urbanization through to 2031. This boundary contains sectors that have already been urbanized, as well as sectors with land available for new development (residential, economic, institutional and public development, for example). It also contains natural land.

Urban perimeter:
An urban perimeter is the planned boundary limiting urban development in a given area. It contains sectors that have already been urbanized, as well as sectors with land available for new development (residential, economic, institutional and public development, for example).

Land slated for redevelopment:
According to the MMC (Perspective Grand Montréal, November 2015, MMC), land slated for redevelopment is land that has already been developed, but that has been identified as land to be repurposed for residential/mixed-use development. As such, while this land is not vacant, it does allow for increasing available residential space due to the redevelopment potential that it offers. Potential spaces slated for redevelopment were identified, through property assessments, as units in which the value of the building was lower than the value of the land. Following that, there were discussions with various Greater Montréal municipalities to determine which potential spaces could actually be used for redevelopment. Orthophotography[29] was also used in this validation process. For the identification of vacant residential space, a similar validation method was used (data from the property assessment roll, discussions with municipalities, orthophotography).

Island of Montréal:
Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-des-Ormeaux, Dorval, Hampstead, Kirkland, L'Île-Dorval, Mont-Royal, Montréal, Montréal-Est, Montréal-Ouest, Pointe-Claire, Sainte-Anne-de-Bellevue, Senneville and Westmount.

Longueuil Agglomeration:
Boucherville, Brossard, Longueuil, Saint-Bruno-de-Montarville, Saint-Lambert.

North Shore:
Blainville, Bois-des-Filion, Boisbriand, Charlemagne, Deux-Montagnes, L'Assomption, Lorraine, Mascouche, Mirabel, Oka, Pointe-Calumet, Repentigny, Rosemère, Saint-Eustache, Saint-Joseph-du-Lac, Saint-Sulpice, Sainte-Anne-des-Plaines, Sainte-Marthe-sur-le-Lac, Sainte-Thérèse and Terrebonne.

South Shore:
Beauharnois, Beloeil, Calixa-Lavallée, Candiac, Carignan, Chambly, Châteauguay, Contrecoeur, Delson, Hudson, L'Île-Cadieux, L'Île-Perrot, La Prairie, Léry, Les Cèdres, McMasterville, Mercier, Mont-Saint-Hilaire, Notre-Dame-de-l'Île-Perrot, Otterburn Park, Pincourt, Pointe-des-Cascades, Richelieu, Saint-Amable, Saint-Basile-le-Grand, Saint-Constant, Saint-Isidore, Saint-Jean-Baptiste, Saint-Lazare, Saint-Mathias-sur-Richelieu, Saint-Mathieu, Saint-Mathieu-de-Beloeil, Saint-Philippe, Sainte-Catherine, Sainte-Julie, Terrasse-Vaudreuil, Varennes, Vaudreuil-Dorion, Vaudreuil-sur-le-Lac and Verchères.

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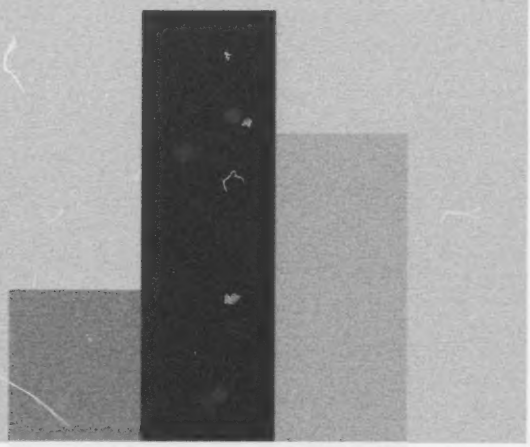

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